

Acquisition Approach for Depleted Uranium Hexafluoride Conversion Services

Programmatic Need

The U.S. Department of Energy through its Office of Nuclear Energy, Science and Technology is seeking an integrated solution to eliminate or reduce the long-term liability, including potential environmental and safety concerns, to the Federal government for upkeep of the Department's depleted uranium hexafluoride (DUF₆) inventory. The key objective is to fully integrate all elements of managing the Department's DUF₆ inventory into a single contracting arrangement. Management of the Department's DUF₆ inventory involves the following elements: cylinder surveillance and maintenance; the design, construction, operation, and final decommissioning of conversion facilities; design and construction of conversion product storage facilities; use of the uranium conversion end product¹; and disposition of fluorine compound end products not used and empty storage cylinders.

The Department believes that the private sector, rather than the Government, is better able to provide integrated solutions for the management of the Department's DUF₆ inventory.

Acquisition Approach

The Department's procurement objective is the acquisition of services for the Depleted Uranium Hexafluoride Management Program. The required services are:

- Cylinder Management which involves maintaining an inventory of over 62,500 storage cylinders containing uranium hexafluoride (UF₆) stored at the Portsmouth Gaseous Diffusion Plant Site in Ohio, the Paducah Gaseous Diffusion Plant Site in Kentucky, and the East Tennessee Technology Park (ETTP) in Tennessee. This includes the transport of the UF₆ storage cylinders currently located at the ETTP site to the Portsmouth site as soon as practicable, but not later than December 31, 2009, for eventual conversion.
- Conversion Services which involves establishing facilities on the Portsmouth and Paducah sites to convert approximately 700,000 metric tons of DUF₆ in approximately 57,700 storage cylinders to either oxide or metal.
 - The maximum period over which conversion is to be accomplished is 25 years, and the conversion facilities must be sized accordingly. However, the Department will consider a shorter conversion period, and associated change in facilities' conversion capacity, if it can be shown to be cost effective to the Government.
 - The Department will retain ownership of the depleted uranium.
 - The Contractor shall be responsible for all fluorine products and fluorine contaminated wastes generated by the uranium conversion process. The Department believes the fluorine products represent a saleable product and will expect an equitable economic credit for the fluorine, represented in reduced proposed conversion prices.
 - The Contractor shall assume ownership and responsibility for the DUF₆ storage cylinders immediately upon physical connection for feeding the contents to the conversion

¹Depleted Uranium Product development is not currently covered under the scope of this draft RFP. However, the Department may make the products of conversion available, under separate agreement(s), to the contractor as well as the public and/or private sector parties for product development purposes.

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process. Disposition of the empty cylinders is the responsibility of the Contractor.

- Conversion Product Storage which involves storage of the depleted uranium oxide or metal conversion product at the Portsmouth and Paducah sites until the Department determines a final disposition for the converted material.
 - The storage of the depleted uranium conversion products may be in either an oxide or metal form.
 - The specification for the standard storage package will be part of the storage requirements provided in the final RFP.

The services to be provided shall include all functions necessary to develop a comprehensive, integrated DUF₆ conversion project complete with facilities (both conversion and storage) constructed to meet regulatory requirements. The Department intends to lease to the Contractor land and (if needed) facilities located on the Portsmouth and Paducah sites to establish the conversion and conversion product storage facilities.

In addition, the Contractor must finance the design and construction of the conversion and conversion product storage facilities, and will be able to recover this investment through the delivery of acceptable conversion and conversion product storage services on a fixed-unit-price basis. The successful offeror will provide 10% of their organization's equity as a commitment to the overall financing (pricing) proposal. This involves an allocation of project risks in an equitable manner that both protects the interests of the Government and encourages industry participation.

Type of Contracts

The services will be acquired using the negotiated process as described in Part 15 of the Federal Acquisition Regulations. The Department will issue one RFP which will lead to the award of two contracts, one covering all services at the Paducah site and the second covering all services at the Portsmouth and ETTP sites. It should be noted that although the Department will issue two separate contracts, it is the Department's preference to award these contracts to the same Contractor. This concept is not reflected in the current Draft RFP.

The Department will obtain the cylinder management, conversion, and conversion product storage services under a fixed-unit price type of contract beginning on April 1, 2000, as follows:

NOTE: The Contract base is currently five and a half years due to the restriction of the Service Contract Act which limits the Cylinder Management portion to five years. However, the Department plans to apply to the Department of Labor for a waiver to allow the Contract base to be extended to September 30, 2010.

Contract Base Period (April 1, 2000 through September 30, 2005)

- *Cylinder Management.* A three-month transition period will begin on July 1, 2000, leading to the Contractor assuming Cylinder Management responsibilities on October 1, 2000, until September 30, 2005. The Contractor will provide the price to the government in terms of dollars per cylinder. These activities will be paid through yearly Congressional appropriated funding.

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- *Conversion Service.* On April 1, 2000, the Contractor begins the design and construction of the conversion facilities at Paducah and Portsmouth. The construction of these facilities must be completed by December 2004, with conversion operations beginning in January 2005. This is contingent on available adequate funding in FY 2000 for this purpose. However, the Department intends to require the Contractor to obtain private financing for this activity. Payments for the capital costs of the conversion facilities will be amortized in terms of kilograms of DUF₆ converted during conversion operations during the remainder of the contract base period and during conversion operations under Option 1 of the contract. Payment for conversion services will be a fixed unit price per kilograms of DUF₆ converted during conversion operations. Monies sufficient to cover termination liability if Option 1 is not exercised will be through Congressionally appropriated funding.
- *Conversion Product Storage.* On April 1, 2000, the Contractor begins the design and construction of the conversion product storage facilities at Paducah and Portsmouth. The construction of these facilities must be completed in time to accept converted product beginning in January 2005. This is contingent on available adequate funding in FY 2000 for this purpose. However, the Department intends to require the Contractor to obtain private financing for this activity. Payments for the capital costs of the conversion storage facilities will be amortized in terms of kilograms of depleted uranium placed into storage during the remainder of the contract base period and during conversion operations under Option 1 of the contract. Payment for conversion product storage services will be a fixed unit price per kilograms of DU placed into storage. Monies sufficient to cover termination liability if Option 1 is not exercised will be through Congressionally appropriated funding.

Contract Options

- *Cylinder Management, Conversion, and Conversion Product Storage Services:* There will be five option periods. These options provide a continuation of services provided in the base scope -- cylinder management, conversion operations, and converted product storage services. Costs for the activities in these options will be fixed price (in units as described above in the contract base period) with cost redetermination at the beginning of each option.
- *Decontamination and Decommissioning (D&D):* This option involves D&D of the conversion facilities and ancillary facilities.
- *Cleaning and Disposition of Empty and Heel Cylinders:* This option involves the Contractor cleaning and disposing of the Department's current inventory of empty and heel cylinders at Paducah, Portsmouth, and ETTP. The Contractor shall assume ownership and responsibility for the cylinders. Disposition of the empty cylinders is the responsibility of the Contractor. Revenues generated from the disposition of the cylinders may be retained by the contractor.
- *Disposal of Uranium Conversion Products:* (This option is not presented in the current draft RFP, but is expected to be added to the final draft RFP.) This option would provide for disposal of the unused depleted uranium conversion products. This would include transportation of the depleted uranium conversion products to the disposal site(s). This is needed to assess the total life cycle cost of this project.

Labor Strategy

The Department will require the Contractor to conduct a labor relations program in accordance with applicable labor laws. It is the Department's intent that labor policies and practices reflect the best

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experience of American industry in aiming to achieve the type of stable labor-management relations essential to the successful accomplishment of the Department's programs at reasonable price.

Collective bargaining will be left to the orderly processes of negotiation and agreement between Contractor management and certified employee representatives with maximum possible freedom from Government involvement. Contractor management's trusteeship for working on the Department's facilities and programs critical to the National interest includes the duty to adopt practices which are fundamental to the friendly adjustment of disputes, and which experience has shown promote orderly collective bargaining relationships, e.g. utilization of Project Labor Agreements.

Since the work scope covered under this acquisition spans the entire life cycle (design, construction, operation, and decontamination/decommissioning) of facilities at multiple locations, significant labor relations complexities must be strategically addressed by the Contractor to assure mission success. The Department will require of the Contractor effective project management and workforce planning activities (to include utilization of the existing workforce and displaced workers to the maximum extent practicable) to occur with due diligence given to the sensitive jurisdictional issues between the production and maintenance bargaining unit work (Paper, Allied-Industrial, Chemical and Energy Workers International Union -- PACE) and the building trades work (Building and Construction Trades Councils).

Workforce Transition

The Contractor will involve and consult with the Community Reuse Organizations at Portsmouth (Southern Ohio Diversification Initiative) and Paducah (Paducah Area Community Reuse Organization) on issues affecting work force transition, including the training of dislocated workers.

Individuals with "Grandfathered Employee" status under the current Bechtel-Jacobs Company LLC (BJCLLC) M&I contract that are displaced from BJCLLC and USEC as a result of the removal of work scope from the BJCLLC for this project will receive the following:

- Right-of-First-Refusal for jobs they currently perform.
- Transfer of service credits and substantially equivalent pay/benefits.
- Participation in the BJCLLC Multiple Employee Pension Plan (or comparable "cash out" program.)
- Transfer of vested severance pay benefit.
- Coverage (where applicable) under a successor employer labor contract with PACE covering prior certified bargaining unit work, consistent with the National Labor Relations Act.

The Contractor may, at its sole option, assume any subcontract(s) existing at the time of award for Cylinder Management.

Future involuntarily displaced workers from BJCLLC and USEC operations (including workers who have notified of intent to separate) will receive the "Right-of-First-Refusal" for available jobs (operations, maintenance, and construction) that they currently possess the skills to perform. If there are not a sufficient number of people with the requisite skills, then the Contractor will provide reasonable job training, where practicable. If there is still a need for workers after this hiring priority is granted, then those remaining "3161 eligible" displaced workers will receive a "Preference-in-Hiring" consistent with agency-wide guidance. Other former workers at the Portsmouth and Paducah GDP's will be given

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consideration next if there is still a need for workers.

DIVERSITY

The Department will require the Contractor to submit a Diversity Plan to the Contracting Officer for approval within 90 days after contract award. The Contractor will be required to address in the Diversity Plan innovative strategies for increasing opportunities to fully use the talents and capabilities of a diverse work force in areas such as the following:

1. The Contractor's work force
2. Community involvement and outreach
3. Subcontracting
4. Economic development
5. Environmental justice
6. Policies and practices
7. Recruitment strategies
8. Employee concerns

The Department will require the Contractor to submit an annual Diversity Report providing a list of accomplishments achieved both internally and externally, and projected developments during the current reporting period.